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## ITINERARIES

# Fewer Choose to Pay for Front-of-the-Plane

By JANE L. LEVERE

Before the recession hit, airlines fell over themselves to offer amenities to their highest-paying passengers. First- and business-class cabins featured gourmet food and wine, seats that turned into beds and even designer sleepwear.

But as the economy cuts into air travel, the carriers have had to rethink their approach to the front of the cabin. Some, like [United](#) and Qantas, are embracing or considering expanding a concept called premium economy, which offers more legroom and comforts and falls between coach and business in price.

While fewer people fly up front, their revenue is critically important to the airlines whose traffic, revenue and profits are shrinking.

"In building up their premium classes, airlines have been building themselves a castle in the air that's ultimately unsupportable," said Peter Morris, the chief economist in London for Ascend Worldwide, an aviation consulting company. "Unless the business world carries on expanding its needs for these services, the castle, to some extent, will come crashing down."

"With cuts in corporate travel budgets, there is now much less willingness to pay up to eight times the fare on long haul for the extra legroom and Champagne offered by business class," he added.

In its latest global forecast, issued last week, the International Air Transport Association, an industry trade group, predicted that airlines worldwide would lose \$11 billion this year, \$2 billion more than it forecast in June. A major contributor to the loss, it said, would be a 20 percent drop in the number of first- and business-class passengers.

The association found that premium traffic on North Atlantic routes was 15.8 percent lower in the first seven months of 2009 than in the same period of 2008, while trans-Pacific premium traffic was down 26.6 percent in the first seven months of this year from 2008.

Airlines charge a lot more to sit in the front of a plane. Consider these prices that United Airlines charges for a round-trip flight between O'Hare International in Chicago and Hong Kong. An economy-class seat is listed at \$810, a business-class seat at \$8,770 and a first-class ticket \$17,524. For what it calls Economy Plus on that flight, the price is \$1,068.

Henry H. Harteveldt, travel analyst for [Forrester Research](#), said first- and business-class passengers on airlines' international flights generated 30 percent or more of passenger revenue. Corrine Png, Asian aviation analyst for [JPMorgan](#) in Singapore, estimated that such passengers represented 40 percent of passenger revenue at Cathay Pacific and Singapore airlines, among others.

While the global economy is beginning to show signs of recovery, industry officials and analysts say they do not expect revenue from international premium air travel to return to the previous level soon — if ever.

Mr. Morris said he expected airlines to look at creating more products and services between first class and economy “to reflect the new reality, particularly for corporate travelers.”

One of those options is premium economy, which Mr. Harteveltdt described as “less than half the price of business class, but it’s pretty good, often with a first-class amount of legroom.”

The idea has been around for a while. In the United States, passengers are probably most familiar with the idea on United, which offers up to five more inches of legroom on domestic and international flights. Now, other airlines are joining in. Air France and KLM, its sister airline, are introducing premium economy-class services on long flights.

Brian Pearce, chief economist at the International Air Transport Association, said other airlines were considering reconfiguring cabins, “but it’s expensive.”

Mr. Harteveltdt said, “Airline executives are telling me that for the foreseeable future, the day of the \$10,000 business-class ticket is gone, and, in some cases, I’m hearing airline executives question if they should keep first class.”

Tony Tyler, chief executive of Cathay Pacific, said in a telephone interview that his carrier was considering replacing some business-class seats with economy seats on aircraft like the 777-300 that operate within Asia.

In May, Qantas stopped offering first-class service on some long-haul routes through Oct. 31. And Alan Joyce, its chief executive, told The Australian in June that his airline was also considering reducing the size of business class on some of the 16 A380 aircraft it has on order from [Airbus](#) and possibly increasing some premium economy seating.

John P. Tague, the executive vice president of the [UAL Corporation](#), the parent of United Airlines, recently told airline analysts, “We’re going to have to see where corporate travel settles out between the Economy Plus cabin, for example, internationally, and business class.”

Damien Horth, airline analyst for UBS in Hong Kong, said: “It’s quite possible airlines will change the product; they will re-evaluate it next year. What the industry needs to understand is what is the new normal for premium-class demand.”

But Mr. Pearce, the transport association economist, said that competition could prevent some airlines from changing in-flight services. “If they are offering a lesser product than a competitor, they will lose customers,” he said.

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